

Mastering the power of premium brands for growth



By [Nicole Shapiro](#)

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Simply put, premium is powerful. Not only do consumers aspire and strive to buy premium brands, their inherent profitability means businesses long to create and manage. After all, successful premium brands demand higher margins and often become an aspirational pinnacle for consumers...

Especially in today's turbulent economic times, we've seen in-home premium brands shine as people substitute out-of-home indulgences for smaller, every day premium pleasures. For example, globally there has been a marked rise of in-home pod/capsule coffee machines as people opt to reward themselves with indulgent coffees at home rather than more expensive out-of-home coffee and dining options.



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In addition, for many consumers, premium products offer authenticity and quality. For instance, in China, certain brands of infant milk formula demand a huge premium. However, although the consumer will pay more for the brands such as Nestlé, they are guaranteed of buying a safe, healthy product for their children, versus cheaper milk formula brands, which often contain dangerous melamine. Likewise, there is a massive global trend amongst wealthy consumers to buy premium branded jewellery. Because when you buy a Tiffany & Co. or Cartier diamond, you are assured of a high-quality product as opposed to the unknown contents of unbranded jewellery.

Unfortunately, commanding a premium isn't easy.

Although premium products assume a higher price, this element alone is not enough to become a premium brand. Consumers are savvy and will see right through higher priced goods with no compelling 'premium reason-to-believe'.

Moreover, maintaining a premium positioning is even more difficult. As businesses with premium brands seek growth, there is the constant temptation to achieve short-term volume growth through discounting and promotions, ignoring the important 'value vs. volume' premium equation.

This short-term growth tactic often tarnishes the premium brand equity and can even destroy brands, as Lacoste learnt this the hard way. In the 1970s, Lacoste opted to engage in heavy discounting to ward off new competitors like Ralph Lauren. However, by doing this the brand lost its position of being the leader in 'preppy' fashion and its famous crocodile became an endangered species. It took a lot of resource, time and a stricter premium price strategy to get the brand on the right growth trajectory again.

Not only do premium brand managers have to contend with the volume versus pricing concept, there are also market dynamics and competitors to consider. Premium is a 'relative' concept - so when a new super-premium set of entrants arrive, the incumbent premium players can be relegated to almost 'mainstream' status.

For instance, a few years ago, in premium credit card offerings, gold was considered the pinnacle. All it took was for American Express to introduce a new super-elite 'Black' card offering and the whole category was reframed. Similarly, consider the South African vodka market: vodka was vodka for everyone, until SKYY entered the scene as the new premium brand in the mid 2000s, resetting consumers' view of the category. Fast-forward a few more years to the introduction of super-premium brands like Grey Goose and Belvedere, and again the category is re-calibrated: super-premium becomes the pinnacle, premium becomes mainstream; and mainstream becomes entry-level.

Cementing your premium position requires premium-thinking at every touch point. Holding a longer-term brand equity view is merely one piece of the 'premium pie'. There are a number of other brand levers and actions that are critical for brands to be able to develop and maintain that lucrative premium position in the market.

Consider these three 'premium principles':

1. Create the premium experience at every touch point

A significant reason why consumers buy premium products in the first place is the fact that it offers them a more enjoyable brand experience (whether it's being spoilt in first class on an aeroplane or just enjoying that cup of great coffee). Premium brands need to consider their brand touch points as ultimate consumer moments of truth and adapt them accordingly.

A brand that's done this phenomenally well is Nespresso. Every part of the Nespresso consumer journey is signal of premium - from the naming of the products (Grand Crus sound a lot more fancy than 'pods') to the magnificent stores (or should I rather say 'boutiques') to the professional sales staff (all donned in black suits). Nespresso truly looks, speaks and acts the part at every point, which allows it to maintain a premium position in the market.

2. Give your consumers a premium path to follow

Consumers are on a constant mission to progress in their lives, and premium brands need to acknowledge this. Just as consumers aren't stagnant, so too should premium brands always give their consumers (and potential consumers) somewhere to go to.

Johnny Walker is a brand that's mastered the art of premium progression with its tiered product offering. For someone who's progressed from Red to Black, there is now Double Black and Green Label to aspire to. To this end, Johnnie Walker often leads with their most premium sub-brand in communication (for example, the recent Johnnie Walker Blue 'Gentleman's Wager' campaign, embedded below) to provide a premium anchor and reference point. That's the goal, and if consumers can't get there, they'll settle for a Black (for now). In addition, the brand continues to innovate, with new tiers to

ensure market growth, never being complacent by waiting for a competitor to steal a new potential market segment.

3. Be brave, be exclusive

It's always tempting for marketers to grow their brands through extension - moving into new territories and products, and getting their brands in front of more people. However, for premium brands this is not always the answer. It comes back to the concept of exclusivity: too much availability dampens demand and lowers price, the antithesis of what a premium brand stands for. Therefore, it's critical that premium brand marketers be brave on that important 'volume vs value' equation - never straying from their long-term premium strategy.

Burberry serves as a perfect example. About a decade ago, the brand was suffering from a downmarket image, as a result of extending Burberry too far into cheaper, more 'accessible' items. The iconic plaid could be found on anything from caps to disposable nappies for dogs and was becoming the pattern of choice of football hooligans and British chavs. Burberry was winning the volume game, but brand equity was on the decline. A new CEO took the reins and the first thing she did was buy back all the rights the company had sold to use their signature check on other items. It was a brave and expensive move, but nine years later the focus has paid off with the brand and sales performing better than ever.

Sometimes the environment in which you operate requires a short-term business response, but could potentially tarnish a premium brand over the long-term. Smart premium brands never respond to these opportunities at the expense of their core brand equity.

For example, a few years ago Woolworths understood that consumers were feeling the pinch with a tougher economic climate. Instead of discounting their premium brands, they introduced a new value-focused 'Essentials' range - a separate set of basic products that allowed some consumers to trade down and remain Woolworths customers, without tarnishing the core premium product set.

It takes bravery, unwavering focus, determination and smart marketing to command a price premium. Nonetheless, brands that utilise the 'premium principles' highlighted above over the long-term for growth can attest that premium is a powerful space in which to operate.

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